

CITY OF ALLISON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Phone (641)257-4222

CITY OF ALLISON, IOWA

TABLE OF CONTENTS

	<u>PAGE</u>
<u>OFFICIALS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-8
<u>BASIC FINANCIAL STATEMENTS:</u>	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 9-12
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 13-14
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	C 15-16
Notes to Financial Statements	17-23
<u>OTHER INFORMATION:</u>	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) -	
All Governmental Funds and Proprietary Funds	24-25
Notes to Other Information - Budgetary Reporting	26
<u>SUPPLEMENTARY INFORMATION:</u>	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds	1 27
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Proprietary Funds	2 28-29
Schedule of Indebtedness	3 30-31
Note Maturities	4 32
<u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER</u>	
<u>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS</u>	
<u>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN</u>	
<u>ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	33-34
<u>SCHEDULE OF FINDINGS</u>	35-38

CITY OF ALLISON, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Scot Henrichs	Mayor	January 2014
David Smith	Mayor Pro tem	January 2014
Tim Junker	Council Member	January 2014
James Blockhus	Council Member	January 2016
Janis Cramer	Council Member	January 2016
Jerry Platter	Council Member	January 2016
Sandy Harms	Clerk/Treasurer	June 30, 2013
Glenda Miller	Clerk/Treasurer	Indefinite
Martin Petersen	Attorney	Indefinite



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Allison, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

As permitted by the Code of Iowa, the accounting records of the City have not

been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2012.

Qualified Opinions

In my opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Allison as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Allison's basic financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 24 through 26 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 22, 2013 on my consideration of the City of Allison's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The City of Allison's internal control over financial reporting and compliance.



Charles City, Iowa
November 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Allison provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

The City's total cash basis net position increased 5.5%, or approximately \$80,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$14,000 and the cash basis net position of the business type activities increased by approximately \$66,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds, and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system and garbage disposal. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, and 4) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds to provide separate information for the Water, Sewer Rental and Garbage Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased slightly from a year ago, increasing from \$1,083,919 to \$1,098,281. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

(Expressed in Thousands)

Year ended
June 30, 2013

Receipts:	
Program receipts:	
Charges for service	\$ 118
Operating grants, contributions and restricted interest	160
General receipts:	
Property tax	539
Local option sales tax	66
Unrestricted interest on investments	5
Bank loan proceeds	100
Other general receipts	55
Total receipts	<u>\$1,043</u>
Disbursements:	
Public safety	\$ 234
Public works	194
Health and social services	5
Culture and recreation	216
Community and economic development	3
General government	145
Debt service	232
Total disbursements	<u>\$1,029</u>
Change in cash basis net position	\$ 14
Cash basis net position beginning of year	<u>1,084</u>
Cash basis net position end of year	<u>\$1,098</u>

Changes in Cash Basis Net Position of Business Type Activities

(Expressed in Thousands)

Year ended
June 30, 2013

Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 87
Sewer Rental	94
Garbage	101
Other	12
General receipts:	
Unrestricted interest on investments	1
Other general receipts	14
Total receipts	<u>\$ 309</u>
Disbursements:	
Water	\$ 102
Sewer Rental	47
Garbage	82
Other	12
Total disbursements	<u>\$ 243</u>
Change in cash basis net position	\$ 66
Cash basis net position beginning of year	<u>356</u>
Cash basis net position end of year	<u>\$ 422</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Allison completed the year, its governmental funds reported a combined fund balance of \$1,098,281, an increase of \$14,362 from last year's total of \$1,083,919. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$75,267 from the prior year to \$385,532. This increase was due mainly to bank loan proceeds.

The Special Revenue, Tax Increment Financing Fund cash balance decreased \$18,530 from the previous year to \$143,733 due to transfers out.

The Special Revenue, Capital Improvements Fund cash balance decreased by \$58,249 to \$480,583 during the fiscal year. This decrease was attributable to a transfer out for capital disbursements.

The Debt Service Fund cash balance remained unchanged with no balance due to transfers in to cover debt payments.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance decreased by \$11,390 to \$122,962, due primarily to an increase in operating expenses.

The Enterprise, Sewer Rental Fund cash balance increased by \$56,169 to \$138,864, due primarily to a decrease in operating expenses.

The Enterprise, Garbage Fund cash balance increased by \$20,328 to \$36,543, due primarily to decreased operating expenses.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once on May 6, 2013. This resulted in an increase in operating disbursements of \$165,000. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the culture and recreation and debt service functions for the year ended June 30, 2013.

DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$868,000 in notes and other long-term debt outstanding, compared to approximately \$963,000 last year, as follows:

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2013	2012
General obligation notes	\$ 545	\$ 675
Bank loans	323	288
Total	<u>\$ 868</u>	<u>\$ 963</u>

The City issued \$100,000 of new bank loans during 2013. Principal and interest payments were made as scheduled. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$867,880 is significantly below its constitutional debt limit of \$1,983,683.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Allison's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Glenda Miller, City Clerk, PO Box 647, Allison, Iowa 50602.

Basic Financial Statements

CITY OF ALLISON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Restricted		Program Receipts			
		Charges for	Operating Grants, Contributions and Restricted	Capital Grants, Contributions and	
	<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Public safety	\$ 234,038	\$ 35,729	\$ 14,349	\$ -	
Public works	193,762	100	98,543	-	
Health and social services	5,265	13,200	-	-	
Culture and recreation	216,427	44,533	9,581	-	
Community and economic development	2,644	-	-	-	
General government	145,260	24,181	37,922	-	
Debt service	231,586	-	-	-	
Total governmental activities	<u>\$1,028,982</u>	<u>\$ 117,743</u>	<u>\$ 160,395</u>	<u>\$ -</u>	
Business type activities:					
Water	\$ 101,888	\$ 86,572	\$ -	\$ -	
Sewer rental	46,782	93,861	-	-	
Garbage	82,334	101,123	-	-	
Other	12,275	12,464	-	-	
Total business type activities	<u>\$ 243,279</u>	<u>\$ 294,020</u>	<u>\$ -</u>	<u>\$ -</u>	
Total	<u>\$1,272,261</u>	<u>\$ 411,763</u>	<u>\$ 160,395</u>	<u>\$ -</u>	

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (183,960)	\$ -	\$ (183,960)
(95,119)	-	(95,119)
7,935	-	7,935
(162,313)	-	(162,313)
(2,644)	-	(2,644)
(83,157)	-	(83,157)
<u>(231,586)</u>	<u>-</u>	<u>(231,586)</u>
 \$ (750,844)	 \$ -	 \$ (750,844)
 \$ -	 \$ (15,316)	 \$ (15,316)
-	47,079	47,079
-	18,789	18,789
<u>-</u>	<u>189</u>	<u>189</u>
 \$ -	 \$ 50,741	 \$ 50,741
<u>\$ (750,844)</u>	<u>\$ 50,741</u>	<u>\$ (700,103)</u>

CITY OF ALLISON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

General Receipts:

- Property and other city tax levied for:
 - General purposes
 - Debt service
- Tax increment financing
- Local option sales tax
- Unrestricted interest on investments
- Bank loan proceeds
- Miscellaneous

Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

- Restricted:
 - Nonexpendable:
 - Cemetery perpetual care
 - Expendable:
 - Streets
 - Urban renewal purposes
- Unrestricted

Total cash basis net position

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ 296,202	\$ -	\$ 296,202
135,575	-	135,575
107,481	-	107,481
66,355	-	66,355
4,402	962	5,364
100,000	-	100,000
55,191	13,862	69,053
<u>\$ 765,206</u>	<u>\$ 14,824</u>	<u>\$ 780,030</u>
\$ 14,362	\$ 65,565	\$ 79,927
<u>1,083,919</u>	<u>356,784</u>	<u>1,440,703</u>
<u>\$ 1,098,281</u>	<u>\$ 422,349</u>	<u>\$ 1,520,630</u>
\$ 26,359	\$ -	\$ 26,359
63,196	-	63,196
143,733	-	143,733
864,993	422,349	1,287,342
<u>\$ 1,098,281</u>	<u>\$ 422,349</u>	<u>\$ 1,520,630</u>

CITY OF ALLISON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

		Special Revenue	
	General	Tax Increment Financing	Capital Improvements
RECEIPTS:			
Property tax	\$ 214,334	\$ -	\$ -
Tax increment financing	-	107,481	-
Other city tax	-	-	-
Licenses and permits	2,333	-	-
Use of money and property	39,254	-	1,232
Intergovernmental	61,852	-	-
Charges for service	78,760	-	-
Miscellaneous	55,505	-	-
Total receipts	<u>\$ 452,038</u>	<u>\$ 107,481</u>	<u>\$ 1,232</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 233,565	\$ -	\$ -
Public works	93,901	-	-
Health and social services	5,265	-	-
Culture and recreation	193,446	-	-
Community and economic development	2,644	-	-
General government	126,236	-	-
Debt service	-	-	-
Total disbursements	<u>\$ 655,057</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (203,019)</u>	<u>\$ 107,481</u>	<u>\$ 1,232</u>
Other financing sources (uses):			
Bank loan proceeds	\$ 100,000	\$ -	\$ -
Operating transfers in	178,286	-	-
Operating transfers out	-	(126,011)	(59,481)
Total other financing sources (uses)	<u>\$ 278,286</u>	<u>\$ (126,011)</u>	<u>\$ (59,481)</u>
Change in cash balances	\$ 75,267	\$ (18,530)	\$ (58,249)
Cash balances beginning of year	<u>310,265</u>	<u>162,263</u>	<u>538,832</u>
Cash balances end of year	<u>\$ 385,532</u>	<u>\$ 143,733</u>	<u>\$ 480,583</u>
Cash Basis Fund Balances:			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Streets	-	-	-
Urban renewal purposes	-	143,733	-
Committed for capital improvements	-	-	480,583
Assigned for various	127,325	-	-
Unassigned	258,207	-	-
Total cash basis fund balances	<u>\$ 385,532</u>	<u>\$ 143,733</u>	<u>\$ 480,583</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 135,575	\$ 81,868	\$ 431,777
-	-	107,481
-	66,355	66,355
-	-	2,333
-	-	40,486
-	98,543	160,395
-	-	78,760
-	252	55,757
<u>\$ 135,575</u>	<u>\$ 247,018</u>	<u>\$ 943,344</u>
\$ -	\$ 473	\$ 234,038
-	99,861	193,762
-	-	5,265
-	22,981	216,427
-	-	2,644
-	19,024	145,260
231,586	-	231,586
<u>\$ 231,586</u>	<u>\$ 142,339</u>	<u>\$ 1,028,982</u>
<u>\$ (96,011)</u>	<u>\$ 104,679</u>	<u>\$ (85,638)</u>
\$ -	\$ -	\$ 100,000
96,011	-	274,297
-	(88,805)	(274,297)
<u>\$ 96,011</u>	<u>\$ (88,805)</u>	<u>\$ 100,000</u>
\$ -	\$ 15,874	\$ 14,362
-	72,559	1,083,919
<u>\$ -</u>	<u>\$ 88,433</u>	<u>\$ 1,098,281</u>
\$ -	\$ 26,359	\$ 26,359
-	63,196	63,196
-	-	143,733
-	-	480,583
-	-	127,325
-	(1,122)	257,085
<u>\$ -</u>	<u>\$ 88,433</u>	<u>\$ 1,098,281</u>

CITY OF ALLISON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Enterprise</u>		
	<u>Water</u>	<u>Sewer Rental</u>	<u>Garbage</u>
Operating receipts:			
Charges for service	\$ 86,572	\$ 93,861	\$ 101,123
Miscellaneous	3,527	8,641	1,539
Total operating receipts	<u>\$ 90,099</u>	<u>\$ 102,502</u>	<u>\$ 102,662</u>
Operating disbursements:			
Business type activities	<u>101,888</u>	<u>46,782</u>	<u>82,334</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (11,789)	\$ 55,720	\$ 20,328
Non-operating receipts:			
Interest on investments	<u>399</u>	<u>449</u>	<u>-</u>
Change in cash balances	\$ (11,390)	\$ 56,169	\$ 20,328
Cash balances beginning of year	<u>134,352</u>	<u>82,695</u>	<u>16,215</u>
Cash balances end of year	<u>\$ 122,962</u>	<u>\$ 138,864</u>	<u>\$ 36,543</u>
Cash Basis Fund Balances:			
Committed for customer deposits	\$ -	\$ -	\$ -
Unrestricted	<u>122,962</u>	<u>138,864</u>	<u>36,543</u>
Total cash basis fund balances	<u>\$ 122,962</u>	<u>\$ 138,864</u>	<u>\$ 36,453</u>

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 12,464	\$ 294,020
155	13,862
<u>\$ 12,619</u>	<u>\$ 307,882</u>
 12,275	 243,279
<u>12,275</u>	<u>243,279</u>
 \$ 344	 \$ 64,603
 114	 962
<u>114</u>	<u>962</u>
\$ 458	\$ 65,565
123,522	356,784
<u>123,522</u>	<u>356,784</u>
<u>\$ 123,980</u>	<u>\$ 422,349</u>
 \$ 20,034	 \$ 20,034
103,946	402,315
<u>103,946</u>	<u>402,315</u>
<u>\$ 123,980</u>	<u>\$ 422,349</u>

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The City of Allison is a political subdivision of the State of Iowa located in Butler County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Allison has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Iowa Northland Regional Council of Governments, Butler County Assessor's Conference Board and Butler County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies - continued

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Capital Improvement Fund is used to account for capital improvement disbursements.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Rental Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) **Summary of Significant Accounting Policies** - continued

The Enterprise, Garbage Fund is used to account for the operation and maintenance of the City's garbage pickup.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantor or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(2) Cash and Pooled Investments - continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Notes Payable

Annual debt service requirements to maturity for bank loans and general obligations notes are as follows:

Year Ending June 30,	Bank Loans		General Obligation Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 86,503	\$ 11,185	\$ 95,000	\$ 20,470	\$ 181,503	\$ 31,655
2015	89,710	7,977	100,000	17,430	189,710	25,407
2016	92,960	4,726	100,000	13,830	192,960	18,556
2017	32,895	1,345	110,000	10,170	142,895	11,515
2018	20,812	422	70,000	6,090	90,812	6,512
2019	-	-	70,000	3,080	70,000	3,080
Total	<u>\$ 322,880</u>	<u>\$ 25,655</u>	<u>\$ 545,000</u>	<u>\$ 71,070</u>	<u>\$ 867,880</u>	<u>\$ 96,725</u>

The resolutions providing for the issuance of the general obligation notes include the following provision:

- a) At the option of the City, notes maturing on or after June 1, 2016, on the Essential Corporate Purpose Note issue of September 1, 2008, are subject to redemption and prepayment in whole or in part, on said date or any date thereafter upon the City giving proper notice, not less than thirty days prior to the date fixed for prepayment, at a price of par plus accrued interest.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(4) Pension and Retirement Benefits - continued

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013, was \$16,182, equal to the required contribution for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the City and plan members is \$1,754 for family coverage. For the year ended June 30, 2013, the City contributed \$45,360 and plan members eligible for benefits did not contribute to the plan.

(6) Law Enforcement Contract

The City of Allison entered into an agreement with the Butler County Sheriff's Department for the purpose of providing the City with law enforcement services. The amount paid on the contract by the City for the year ended June 30, 2013 amounted to \$40,000.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's policy is to not pay employees for accumulated vacation, comp time or sick leave upon separation of employment. The City therefore has no liability for compensated absences at June 30, 2013.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$298 during the year ended June 30, 2013.

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$21,404.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(9) Risk Management - continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with public employee dishonesty coverage and workers compensation coverage. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the fiscal year ended June 30, 2013.

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 16,487
	Emergency	5,963
	Local Option Sales Tax	66,355
	Tax Increment Financing	30,000
	Capital Improvements	59,481
		<u>\$178,286</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	\$ 96,011
Total		<u>\$274,297</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(11) Deficit Balance

The Special Revenue, Employee Benefits Fund had a deficit balance of \$1,122 at June 30, 2013. The deficit will be eliminated upon transferring funds.

(12) Commitments

At June 30, 2013, the following construction commitment had been made:

<u>Project</u>	<u>Total</u>	<u>Cost</u>
	<u>Contract</u>	<u>Incurred</u>
Asphalt Trail	<u>\$ 55,278</u>	<u>To Date</u>
		<u>\$ -</u>

Other Information

CITY OF ALLISON, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
RECEIPTS:			
Property tax	\$ 431,777	\$ -	\$ -
Tax increment financing	107,481	-	-
Other city tax	66,355	-	-
Licenses and permits	2,333	-	-
Use of money and property	40,486	962	-
Intergovernmental	160,395	-	-
Charges for service	78,760	294,020	-
Miscellaneous	55,757	13,862	-
Total receipts	<u>\$ 943,344</u>	<u>\$ 308,844</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 234,038	\$ -	\$ -
Public works	193,762	-	-
Health and social services	5,265	-	-
Culture and recreation	216,427	-	-
Community and economic development	2,644	-	-
General government	145,260	-	-
Debt service	231,586	-	-
Business type activities	-	243,279	-
Total disbursements	<u>\$ 1,028,982</u>	<u>\$ 243,279</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (85,638)	\$ 65,565	\$ -
Other financing sources, net	<u>100,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 14,362	\$ 65,565	\$ -
Balances beginning of year	<u>1,083,919</u>	<u>356,784</u>	<u>-</u>
Balances end of year	<u>\$ 1,098,281</u>	<u>\$ 422,349</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 431,777	\$ 424,468	\$ 424,468	\$ 7,309
107,481	106,000	106,000	1,481
66,355	62,580	62,580	3,775
2,333	2,378	2,378	(45)
41,448	51,925	51,925	(10,477)
160,395	156,431	156,431	3,964
372,780	343,335	343,335	29,445
69,619	5,300	5,300	64,319
<u>\$1,252,188</u>	<u>\$1,152,417</u>	<u>\$ 1,152,417</u>	<u>\$ 99,771</u>
\$ 234,038	\$ 103,420	\$ 243,420	\$ 9,382
193,762	241,350	241,350	47,588
5,265	8,000	8,000	2,735
216,427	211,939	211,939	(4,488)
2,644	44,000	44,000	41,356
145,260	157,432	182,432	37,172
231,586	231,287	231,287	(299)
243,279	324,000	324,000	80,721
<u>\$1,272,261</u>	<u>\$1,321,428</u>	<u>\$ 1,486,428</u>	<u>\$ 214,167</u>
\$ (20,073)	\$ (169,011)	\$ (334,011)	\$ 313,938
<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
\$ 79,927	\$ (169,011)	\$ (234,011)	\$ 313,938
<u>1,440,703</u>	<u>1,538,769</u>	<u>1,538,769</u>	<u>(98,066)</u>
<u>\$1,520,630</u>	<u>\$1,369,758</u>	<u>\$ 1,304,758</u>	<u>\$ 215,872</u>

CITY OF ALLISON, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$165,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

Supplementary Information

CITY OF ALLISON, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue				Permanent Cemetery Perpetual Care	Total
	Road Use Tax	Employee Benefits	Emergency	Local Option Sales Tax		
RECEIPTS:						
Property tax	\$ -	\$ 75,905	\$ 5,963	\$ -	\$ -	\$ 81,868
Other city tax	-	-	-	66,355	-	66,355
Intergovernmental	98,543	-	-	-	-	98,543
Miscellaneous	-	-	-	-	252	252
Total receipts	<u>\$ 98,543</u>	<u>\$ 75,905</u>	<u>\$ 5,963</u>	<u>\$ 66,355</u>	<u>\$ 252</u>	<u>\$ 247,018</u>
DISBURSEMENTS:						
Operating:						
Public safety	\$ -	\$ 473	\$ -	\$ -	\$ -	\$ 473
Public works	81,799	18,062	-	-	-	99,861
Culture and recreation	-	22,981	-	-	-	22,981
General government	-	19,024	-	-	-	19,024
Total disbursements	<u>\$ 81,799</u>	<u>\$ 60,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,339</u>
Excess of receipts over disbursements	\$ 16,744	\$ 15,365	\$ 5,963	\$ 66,355	\$ 252	\$ 104,679
Other financing uses:						
Operating transfers out	-	(16,487)	(5,963)	(66,355)	-	(88,805)
Change in cash balances	\$ 16,744	\$ (1,122)	\$ -	\$ -	\$ 252	\$ 15,874
Cash balances beginning of year	46,452	-	-	-	26,107	72,559
Cash balances end of year	<u>\$ 63,196</u>	<u>\$ (1,122)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,359</u>	<u>\$ 88,433</u>
Cash Basis Fund Balances:						
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ 26,359	\$ 26,359
Restricted for streets	63,196	-	-	-	-	63,196
Unassigned	-	(1,122)	-	-	-	(1,122)
Total cash basis fund balances	<u>\$ 63,196</u>	<u>\$ (1,122)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,359</u>	<u>\$ 88,433</u>

See Accompanying Independent Auditor's Report.

CITY OF ALLISON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise		
	<u>Water Reserve</u>	<u>Water Depreciation</u>	<u>Customer Deposits</u>
Operating receipts:			
Charges for service	\$ -	\$ -	\$ 975
Miscellaneous	-	-	-
Total operating receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 975</u>
Operating disbursements:			
Business type activities	<u>-</u>	<u>-</u>	<u>625</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ -	\$ -	\$ 350
Non-operating receipts:			
Interest on investments	<u>-</u>	<u>56</u>	<u>-</u>
Change in cash balances	\$ -	\$ 56	\$ 350
Cash balances beginning of year	<u>33,180</u>	<u>16,080</u>	<u>19,684</u>
Cash balances end of year	<u>\$ 33,180</u>	<u>\$ 16,136</u>	<u>\$ 20,034</u>
Cash Basis Fund Balances:			
Committed for customer deposits	\$ -	\$ -	\$ 20,034
Unrestricted	<u>33,180</u>	<u>16,136</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 33,180</u>	<u>\$ 16,136</u>	<u>\$ 20,034</u>

See Accompanying Independent Auditor's Report.

<u>Sewer Reserve</u>	<u>Sewer Depreciation</u>	<u>Storm Water</u>	<u>Total</u>
\$ -	\$ -	\$ 11,489	\$ 12,464
-	-	155	155
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,644</u>	<u>\$ 12,619</u>
-	-	11,650	12,275
\$ -	\$ -	\$ (6)	\$ 344
-	58	-	114
<u>\$ -</u>	<u>\$ 58</u>	<u>\$ (6)</u>	<u>\$ 458</u>
<u>12,564</u>	<u>19,153</u>	<u>22,861</u>	<u>123,522</u>
<u>\$ 12,564</u>	<u>\$ 19,211</u>	<u>\$ 22,855</u>	<u>\$ 123,980</u>
\$ -	\$ -	\$ -	\$ 20,034
<u>12,564</u>	<u>19,211</u>	<u>22,855</u>	<u>103,946</u>
<u>\$ 12,564</u>	<u>\$ 19,211</u>	<u>\$ 22,855</u>	<u>\$ 123,980</u>

CITY OF ALLISON, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes:			
G.O. Capital Loan Note	09-01-08	3.25-4.40%	\$ 600,000
G.O. Capital Loan Note	03-02-10	1.50-3.00	380,000
Bank Loans:			
Street	05-17-11	4.00%	\$ 400,000
Fire Truck	03-08-13	2.00	100,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 440,000	\$ -	\$ 55,000	\$385,000	\$ 18,083	\$ -
235,000	-	75,000	160,000	5,950	-
<u>\$ 675,000</u>	<u>\$ -</u>	<u>\$130,000</u>	<u>\$545,000</u>	<u>\$ 24,033</u>	<u>\$ -</u>
\$ 288,021	\$ -	\$ 65,141	\$222,880	\$ 11,312	\$ -
-	100,000	-	100,000	-	-
<u>\$ 288,021</u>	<u>\$100,000</u>	<u>\$ 65,141</u>	<u>\$322,880</u>	<u>\$ 11,312</u>	<u>\$ -</u>
<u><u>\$ 963,021</u></u>	<u><u>\$100,000</u></u>	<u><u>\$195,141</u></u>	<u><u>\$867,880</u></u>	<u><u>\$ 35,345</u></u>	<u><u>\$ -</u></u>

CITY OF ALLISON, IOWA
NOTE MATURITIES
JUNE 30, 2013

GENERAL OBLIGATION NOTES					
Year Ending June 30,	G.O. Capital		G.O. Capital		Total
	Loan Note		Loan Note		
	Issued September 1, 2008		Issued March 2, 2010		
	Interest Rates	Amount	Interest Rates	Amount	
2014	3.90%	\$ 60,000	2.00%	\$ 35,000	\$ 95,000
2015	4.00	60,000	3.00	40,000	100,000
2016	4.10	60,000	3.00	40,000	100,000
2017	4.20	65,000	3.00	45,000	110,000
2018	4.30	70,000		-	70,000
2019	4.40	70,000		-	70,000
Total		\$385,000		\$160,000	\$545,000

Year Ending June 30,	BANK LOANS				
	Street		Fire Truck		Total
	Issued May 17, 2011		Issued March 8, 2013		
	Interest Rates	Amount	Interest Rates	Amount	
2014	4.00%	\$ 67,297	2.00%	\$ 19,206	
2015	4.00	70,115	2.00	19,595	
2016	4.00	72,971	2.00	19,989	
2017	4.00	12,497	2.00	20,398	
2018		-	2.00	20,812	
Total		\$222,880		\$100,000	

See Accompanying Independent Auditor's Report.



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Allison, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated November 22, 2013. My report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles because I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Allison's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Allison's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Allison's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Allison's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A), (C), (D) and (E) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings as items (B), (F), (G) and (H) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Allison's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Allison's Responses to Findings

The City of Allison's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Allison's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Allison during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
November 22, 2013

CITY OF ALLISON, IOWA
Schedule of Findings
Year Ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) Personnel Policy - The City does not have a formal personnel policy.

Recommendation - For a better understanding of the policies the City Council implements, I recommend that the City adopt a formal personnel policy.

Response - We will investigate this, and implement this if it is feasible.

Conclusion - Response accepted.

- (C) Information Systems Controls - The City does not have a written disaster recovery plan. Also, adequate fire protection of computers and files does not exist.

Recommendation - The City should implement the controls necessary to protect the processing of computer information.

Response - We will do this.

Conclusion - Response accepted.

- (D) Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted a check with only one authorized signature.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

Conclusion - Response accepted.

CITY OF ALLISON, IOWA
Schedule of Findings
Year Ended June 30, 2013

Findings Related to the Financial Statements: - continued

- (E) Authorized Check Signers - It was noted that individuals who are listed on the Library Building, Ambulance Equipment, Wilder Days and Trees Forever signature cards are not City Employees or Council members.

Recommendation - All bank authorized signature cards should be reviewed and updates. Only current City employees or Council members should be authorized signers.

Response - We will review all signature cards and update them per guidelines recommended.

Conclusion - Response accepted.

- (F) Credit Cards - The City has credit cards for use by various employees while on City business. The City has a written policy to regulate the use of the credit cards and establish procedures for the proper accounting for credit charges. However, this policy is not being followed and supporting documentation is not always available for credit card charges.

Recommendations - The City should ensure that employees are following the City's credit card policy and that supporting documentation is made available for all purchases.

Response - We are in the process of reviewing our procedures for credit card use.

Conclusion - Response accepted.

- (G) Centralized Bookkeeping - Countersignature of Checks - The bookkeeping and custody of records for the Library Building, Ambulance Equipment, Wilder Days and Trees Forever funds are maintained by individuals outside the City Clerk's office. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose". Also, I noted checks are prepared and signed by one individual.

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records. Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will look into this.

Conclusion - Response accepted.

- (H) Post-dated Checks - I noted several checks that cleared the City's bank account prior to the date the check was issued.

Recommendation - The City should avoid the use of post-dating checks.

Response - We will discontinue the use of post-dating checks in the future.

CITY OF ALLISON, IOWA
Schedule of Findings
Year Ended June 30, 2013

Findings Related to the Financial Statements: - continued

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will do this in the future.

Conclusion - Response accepted.

- (2) Questionable Disbursements - No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jerry Platter, Council Member Owner of Star Graphics	Supplies	\$ 298

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year.

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (6) Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Employee Benefit Levy - I noted that the proceeds from the Employee Benefits Levy were recorded in the General Fund.

CITY OF ALLISON, IOWA
Schedule of Findings
Year Ended June 30, 2013

Other Findings Related to Required Statutory Reporting: - continued

Recommendation - The City should deposit the funds directly into the Special Revenue, Employee Benefits Fund for better accountability of the tax levy proceeds.

Response - We began depositing the funds directly into the Employee Benefits Fund when we changed software.

Conclusion - Response accepted.

- (9) Local Option Sales Tax - Local option sales tax was deposited into the General Fund. Chapter 384.4 of the Code of Iowa states, in part, that monies collected for the local option sales tax shall be deposited in the Special Revenue Fund. Also, I noted the City was not allocating Local Option Sales Tax collections in accordance with the City ordinance.

Recommendation - The City should establish Special Revenue, Local Option Sales Tax Funds to deposit all revenue per the allocation of the City ordinance.

Response - We established a Local Option Sales Tax Fund when we changed software. We will look into the proper allocation established by ordinance.

Conclusion - Response accepted.

- (10) Financial Condition - The Special Revenue, Employee Benefits Fund had a deficit balance of \$1,122 at June 30, 2013.

Recommendation - The City should monitor this account and investigate alternatives to eliminate the deficit in order to return it to a sound financial condition.

Response - The account will be monitored in the future.

Conclusion - Response accepted.

- (11) Utility Billings - The City does not appear to be charging the correct sewer fees to customers paying above the minimum monthly fee as required by the City Code. The City Code does not state the amount customers are to be billed for storm water and garbage fees. Also, sales tax on sewer and solid waste services provided to non-residential commercial operations were not assessed.

Recommendation - The City should take necessary steps to comply with the City Code and insure rates are being charged correctly. The City should assess sales tax on sewer and solid waste services provided to non-residential commercial operations in accordance with section 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

Response - These items will be corrected.

Conclusion - Response accepted.

- (12) Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.